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TOWNSEND and TOWNSEND and CREW LLP

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PATENT
Attorney Docket No.: 020375-003300US

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE BOARD OF PATENT APPEALS AND INTERFERENCES

In re application of:	Confirmation No. 6495
Colleen George et al.	Examiner: Bayat, Bradley B.
Application No.: 10/079,927	Art Unit: 3621
Filed: February 19, 2002	REPLY BRIEF UNDER 37 CFR §41.37
For: SYSTEMS AND METHODS FOR OPERATING LOYALTY PROGRAMS	

Mail Stop Appeal Brief - Patents
Commissioner for Patents
P.O. Box 1450
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Sir:

Appellants offer this Reply Brief in response to the Examiner's Answer mailed on February 22, 2008.

The Examiner's Answer states that "[t]he sole remaining rejection is under 102(e)" (Examiner's Answer, p. 2, l. 20). The Examiner's Answer further states that "[s]ince the Examiner has withdrawn rejections under 112 first and second paragraphs, Appellant's arguments on pages 8-10 of the brief are moot" (*id.*, p. 7, ll. 19 – 20). Appellants addressed the objection under § 132(a) on page 8 of the brief. Appellants interpret the Examiner's Answer to mean that the objection has also been withdrawn and the sole remaining issue is whether the rejection under § 102(e) was improper. After careful consideration of the Examiner's Answer, Appellants respectfully believe that the rejection under § 102(e) remains improper, and Claims 1, 6, 19, 22, 25, and their dependent claims remain patentable.

1. Claims 1 and 19 and their dependent claims should be allowed

Claims 1 and 19 require "backing out of the loyalty process by **decrementing the stored point total** for the customer by the augmentation amount after receiving the **denial of the transaction instruction**" or a similar limitation (emphasis added). Rather than continuing to rely on ¶¶ 0011, 0052, 0069, and 0073 of Chien (Examiner's Answer, p. 4, l. 8), the Examiner's Answer appears to argue that *decrementing* the stored point total is inherently taught by updating or adjusting a participant's loyalty account in ¶¶ 0064 and 0065 of Chien (Examiner's Answer, p. 8, l. 15 – p. 9, l. 2).

Appellants respectfully submit that not only does updating or adjusting the participant's loyalty account fail to necessarily teach *decrementing* the stored point total, ¶¶ 0064 and 0065 of Chien in fact refer to crediting, or *incrementing*, the participant's loyalty account. Chien is directed to allowing a participant to purchase an item by converting loyalty points to currency credit (Chien, Abstract). In ¶ 0065, examples of updates due to "a participant charge-back request and merchandise return" (*id.*, ¶ 0065, ll. 9 – 10) are provided.

In one example, if the participant returns merchandise purchased with loyalty points, Chien states that "[a middleware is invoked] to perform the appropriate conversion from currency credit back to loyalty points, and to adjust the participant's loyalty account accordingly" (*id.*, ¶ 0065, ll. 16 – 22). In other words, because loyalty points were converted to currency credit to pay for merchandise, upon merchandise return, the currency credit is converted back to loyalty points. The participant's loyalty account would then be adjusted by *incrementing* the loyalty account with the loyalty points.

Chien further states that "[s]imilarly, during a dispute handling process . . . [in which] if a charge-back does occur, [the middleware] may be invoked to either credit the transaction account or adjust the amount of loyalty points in the loyalty account" (*id.*, ¶ 0065, ll. 22 – 30). Put differently, after a value of the original transaction is "taken back" from the merchant, the participant may either receive currency credit or loyalty points back; if the participant receives loyalty points back, the participant's loyalty account would be *incremented*.

The Examiner's Answer does states a situation in which "the participant's loyalty account will be reduced by the appropriate amount" (Examiner's Answer, p. 9, ll. 21 – 22, *citing* Chien ¶ 0052). But the situation is "[i]f the transaction card is valid and sufficient credit is available" (Examiner's Answer, p. 9, l. 15) rather than a denial of the transaction instruction.

Accordingly, Appellants respectfully submit that Chien fails to teach, either expressly or inherently, "**decrementing the stored point total** for the customer by the augmentation amount after receiving the **denial of the transaction instruction**" (emphasis added), and Claims 1 and 19 and their dependent claims should be allowed.

2. Claims 6, 22, 25, and their dependent claims should be allowed

"To anticipate a claim, the reference must teach every element of the claim." MPEP 2131. More specifically, "[i]t is not sufficient that each element be found somewhere in the reference, the elements must be 'arranged as in the claim.'" *Novo Nordisk A/S v. Becton Dickinson & Co.*, 96 F. Supp.2d 309, 312 (S.D. N.Y. 2000).

The MPEP also notes that "[t]he elements must be arranged as required by the claim, but this is not an *ipsissimis verbis* test, i.e., identity of terminology is not required." MPEP 2131, *citing In re Bond*, 910 F.2d 831, 15 USPQ2d 1566 (Fed. Cir. 1990). The Examiner's Answer appears to have turned this test on its head by finding an identity of terminology in the word "immediately" in the background section of Chien. However, it is respectfully submitted that the elements of Chien are not arranged as in the claims.

For example, Claims 6, 22, and 25 all recite a "**point-of-sale device** disposed at a merchant point of sale" and "**augmenting** a point total" (emphasis added) or a similar limitation. But the '870 and '412 patents noted by the Examiner's Answer are both related to an online program that responds to a user's "online purchase of merchandise" (Chien, ¶ 0005, ll. 1 – 5) rather than a transaction at a "point-of-sale device." It is true that Chien does mention a "POS terminal" (*id.*, ¶ 0013, l. 3). But the POS terminal is used when a participant *uses* loyalty points (*id.*, ¶ 0011, l. 9) in which loyalty points "will be *reduced*" (*id.*, ¶ 0052, l. 18, emphasis added) rather than *augmenting* a point total.

Moreover, loyalty points contemplated by Chien appear to be those that have been awarded to participants in the "American Express Membership Rewards Program" (*id.*, ¶ 0028, ll. 8 – 9). In contrast, in the '870 and '412 patents, bonus points are awarded in response to a user's "online purchase of merchandise" as noted above. Put differently, while the '870 and '412 patents describe that bonus points are awarded immediately in response to a user's "online purchase of merchandise," there is no teaching or suggestion that the loyalty points in the "American Express Membership Rewards Program" can likewise be awarded immediately.

Accordingly, not only are the elements of Chien not arranged as in the claims so the claims are patentable under 35 U.S.C. § 102, it is believed that Claims 6, 22, and 25 would remain patentable even under a 35 U.S.C. § 103 analysis. Additionally, "[t]he Supreme Court in *KSR International Co. v. Teleflex Inc.*, 550 U.S. ___, ___, 82 USPQ2d 1385, 1396 (2007) noted that the analysis supporting a rejection under 35 U.S.C. 103 should be made explicit." MPEP 2142. However, Appellants respectfully submit that the Examiner's Answer has not clearly articulated "the reason(s) why the claimed invention would have been obvious" (MPEP 2142), if the Examiner's Answer intends to reject the claims under 35 U.S.C. § 103.

For at least these reasons, Appellants continue to believe that all pending claims are patentable.

Respectfully submitted,

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